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SIPDIS

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TAGS: [EPET](#) [KZ](#) [ECONOMIC](#)

SUBJECT: GOOD COP, BAD COP ON KASHAGAN?

Classified By: POEC Chief Deborah Mennuti for reasons 1.4(b) and (d).

[1](#)1. (C) Summary: On the eve of key negotiations, Kazakhstani PM Akhmetov stated that the government will seek to acquire more than a pre-agreed 50% of British Gas' 16.67% in the mammoth Kashagan AGIP-KCO project. This pronouncement, which contradicts earlier statements by Energy Minister Vladimir Shkolnik, is sure to vex AGIP-KOC members and further reinforce images of the GOK as an unreliable business partner. End Summary.

[1](#)2. (C) Government of Kazakhstan (GOK) Prime Minister Daniyal Akhmetov announced on February 1 that the GOK would like to acquire more than the pre-agreed 50% of British Gas' (BG) 16.67% in the giant AGIP-KCO Caspian project. According to the state news agency Kaz-Inform, Akhmetov announced that "50% is not the limit....we are returning our national wealth." (Comment: Akhmetov enjoys a pro-statist reputation. End comment). The GOK, including Akhmetov and Shkolnik, plan a February 2 meeting in Astana with AGIP-KCO partners to discuss the sale.

[1](#)3. (C) Akhmetov's statement came days after Energy Minister Vladimir Shkolnik announced that AGIP-KCO consortium partners had agreed to sell 50% of the BG state to the GOK. Shkolnik appeared pleased with the deal: "I hope we can execute this transaction." Consortium partners, which include ExxonMobil (16.67%) and ConocoPhillips (8.33%), confirmed Shkolnik's statements.

[1](#)4. (C) Contradictory GOK utterings are certain to rile AGIP-KCO partners. Hakim Janah, ConocoPhillips' Kazakhstan country manager, told Econoff that "The GOK will not get more than half. If they want (more than half), they should not come to the (negotiating) table."

[1](#)5. (C) Comment: Akhmetov's statement may simply be a negotiating ploy to unsettle AGIP-KCO partners and strengthen the GOK's hand on issues dear to the consortium, such as governance and financing. If the GOK "50% plus" demands are genuine, we can expect AGIP-KCO pushback and another delay in inking the deal. Delays past March 2005, when BG's obligation under the sales purchase agreement to sell to the AGIP-KOC partners expires, would create further uncertainties. Darker minds point to a side deal - without any negotiated guarantees on financing or governance - between the GOK and BG for all or part of its 16.67% share. The partners could still preempt, but the GOK could then counter with a December 2004 law giving it the sovereign right of preemption. We will provide a more detailed read after the February 2 GOK-shareholders meeting. End comment.

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